

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saugatuck Township Fire District	County Allegan
Fiscal Year End June 30, 2007	Opinion Date November 13, 2007	Date Audit Report Submitted to State December 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

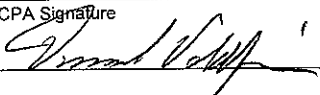
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not necessary	
Other (Describe)	<input checked="" type="checkbox"/>	SAS #112 Communication	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724	

Saugatuck Township Fire District
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Saugatuck Township Fire District **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Saugatuck Township Fire District's (the Fire District) financial performance provides a narrative overview of the Fire District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the Fire District's financial statements.

FINANCIAL HIGHLIGHTS

- The Fire District's total net assets increased by \$72,244 as a result of this year's activities.
- Total net assets, in the amount of \$1,187,037, were reported, of which \$778,922 is invested in capital assets. This leaves the Fire District with unrestricted net assets of \$408,115.

Overview of the financial statements

The Fire District's annual financial report is comprised of three parts: the management's discussion and analysis, the basic financial statements, and required supplementary information. The notes to the basic financial statements provide additional information that is necessary to understand the data reported in the financial statements.

The basic financial statements include information that that presents two different views of the Fire District:

- The first column of the financial statements includes information on the Fire District's General Fund under the modified accrual method of accounting. These fund financial statements focus on current financial resources and provide a more detailed view of the accountability of the Fire District's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financials statements under the full accrual method of accounting.
- The third column presents the Fire District's operations on a full accrual basis, which provides both short- and long-term financial information about the Fire District's financial status. The government-wide statements report information about the Fire District as a whole using accounting methods similar to those used by private-sector companies.

The statement of net assets reports all of the Fire District's assets and liabilities along with the difference between the two, which is identified as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Fire District's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position such as the condition of the Fire District's capital assets.

The statement of activities shows how the Fire District's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. This statement should help the reader to answer the question: Is the Fire District, better off or worse off as a result of this year's activities?

Saugatuck Township Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE FIRE DISTRICT

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a Fire District's financial position. In the Fire District's case, assets exceeded liabilities at the end of the fiscal year by \$1,187,037. The Fire District's investment in capital assets (e.g., building, vehicles, and equipment), a component of the total net assets, amounts to \$778,922. The Fire District uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs. The remaining net assets, in the amount of \$408,115, is unrestricted.

Condensed financial information
Net assets

	<u>2007</u>	<u>2006</u>
Current assets	\$ 434,062	\$ 461,479
Capital assets	<u>778,922</u>	<u>707,431</u>
Total assets	<u>1,212,984</u>	<u>1,168,910</u>
Current liabilities	25,947	29,117
Long-term debt	<u>-</u>	<u>25,000</u>
Total liabilities	<u>25,947</u>	<u>54,117</u>
Net assets:		
Invested in capital assets, net of related debt	778,922	682,431
Unrestricted	<u>408,115</u>	<u>432,362</u>
Total net assets	<u>\$ 1,187,037</u>	<u>\$ 1,114,793</u>

Changes in net assets. The Fire District experienced an increase in net assets of \$72,244 during the current fiscal year compared to a \$13,802 increase in the prior year. The increases occurred because property taxes and other revenues have been sufficient to cover expenses during the past two fiscal years. The increase in net assets was higher in 2007 due to the 12% growth in property tax revenue.

The Fire District's total revenues were \$503,327 in the current fiscal year. The majority of the Fire District's revenues, in the amount of 474,262, come from property taxes.

The total cost of the Fire District's operations amounted to \$484,914 in 2007 compared to \$489,525 in 2006, or a decrease of \$4,611 (less than 1%). Nearly 60 percent of the expenses, in the amount of \$290,202 are personnel costs. Depreciation expense, in the amount of \$51,595, represents nearly 11% of the Fire District's expenses.

Saugatuck Township Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net assets

	<u>2007</u>	<u>2006</u>
Revenues:		
Property taxes	\$ 528,807	\$ 474,262
Interest	14,858	15,113
Other	<u>13,493</u>	<u>13,952</u>
Total revenues	557,158	503,327
Expenses	<u>484,914</u>	<u>489,525</u>
Increase in net assets	<u>\$ 72,244</u>	<u>\$ 13,802</u>

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUND

The Fire District's only fund is its Operating Fund. The Operating Fund is presented in the first column of the government-wide statements. The fund column provides detailed information about the Operating Fund using the modified accrual method of accounting which is a short-term perspective that measures the flow of financial resources. At the end of the fiscal year, the unreserved fund balance was \$408,115, which represents 70 percent of the actual total Operating Fund expenditures for the current fiscal year. Total fund balance decreased by \$24,247 primarily due to the substantial amount of capital outlay expenditures (\$130,306) in the current year.

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$20,867. The budgeted expenditures were increased to reflect unanticipated costs incurred during the year.

Revenues were \$172,194 less than budgeted primarily due to a delay in receiving a \$165,000 state grant. Expenditures were \$147,947 less than the amounts appropriated primarily because capital outlay expenditures were \$84,665 less than anticipated. These variances resulted in a \$24,247 negative budget variance and a \$24,247 decrease in fund balance compared to a budgeted decrease of \$0.

Capital assets and debt administration

Capital assets

The Fire District's investment in capital assets as of June 30, 2007, amounts to \$778,922 (net of accumulated depreciation). Capital assets consist of land, buildings, equipment, and vehicles. The net increase in capital assets amounted to \$71,491. This year's major capital event related to the purchase of a fire truck at a cost of \$117,164. More detailed information about the Fire District's capital assets is presented in Note 4 of the notes to the financial statements.

Debt

The Fire District paid off all its debt during the current fiscal year by making a final \$25,000 principal payment on an installment purchase agreement used to acquire a fire truck in a prior year.

Saugatuck Township Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

Aside from budgeting for normal operating expenses, the Fire District has set aside funds for the purchase of a new pumper fire truck. A new pumper truck is necessary within the next couple of years to enable the department to maintain its current ISO fire rating. The District plans to spend approximately \$400,000 for this purchase sometime during the next fiscal year. Part of this money will come from the fund balance and the remainder from financing to be provided by a local bank.

Contacting the Fire District's financial management

This financial report is designed to provide a general overview of the Fire District's finances to its customers and creditors, and to demonstrate the Fire District's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

William Kaye, Chairman
Saugatuck Township Fire District
3461 Blue Star Highway
Saugatuck, MI 49453

Phone: (616) 857-7721

INDEPENDENT AUDITORS' REPORT

Members of the Board Saugatuck Township Fire District

We have audited the accompanying financial statements of the governmental activities and the major fund of the Saugatuck Township Fire District as of June 30, 2007 and for the year then ended, which collectively comprise the Fire District's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Saugatuck Township Fire District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management discussion and analysis and the budgetary comparison information are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

November 13, 2007



1958-2008

BASIC FINANCIAL STATEMENTS

Saugatuck Township Fire District**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2007

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 29,568	\$ -	\$ 29,568
Investments	395,888	-	395,888
Receivable	4,426	-	4,426
Deposit	4,180	-	4,180
Land	-	22,726	22,726
Capital assets, net	-	756,196	756,196
Total assets	<u>\$ 434,062</u>	<u>\$ 778,922</u>	<u>1,212,984</u>
LIABILITIES			
Payables	\$ 25,947	\$ -	25,947
FUND EQUITY			
Fund balance - unreserved, undesignated	<u>408,115</u>	<u>(408,115)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 434,062</u>		
NET ASSETS			
Invested in capital assets		778,922	778,922
Unrestricted		<u>408,115</u>	<u>408,115</u>
Total net assets		<u>\$ 1,187,037</u>	<u>\$ 1,187,037</u>
Total fund balance			\$ 408,115
Amounts reported for governmental activities in the statement of net assets (page 4) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			<u>778,922</u>
Total net assets			<u>\$ 1,187,037</u>

See notes to financial statements

Saugatuck Township Fire District**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**

Year ended June 30, 2007

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
REVENUES			
Property taxes	\$ 528,807	\$ -	\$ 528,807
Interest	14,858	-	14,858
Charges for services	238	-	238
State grants	-	-	-
Other	13,255	-	13,255
	<u>557,158</u>	<u>-</u>	<u>557,158</u>
Total revenues			
	<u>557,158</u>	<u>-</u>	<u>557,158</u>
EXPENDITURES/EXPENSES			
Public safety	425,421	58,815	484,236
Capital outlay	130,306	(130,306)	-
Debt service:			
Principal	25,000	(25,000)	-
Interest	678	-	678
	<u>581,405</u>	<u>(96,491)</u>	<u>484,914</u>
Total expenditures/expenses			
	<u>581,405</u>	<u>(96,491)</u>	<u>484,914</u>
NET CHANGE IN FUND BALANCE/NET ASSETS	(24,247)	96,491	72,244
FUND BALANCE/NET ASSETS - BEGINNING	<u>432,362</u>	<u>682,431</u>	<u>1,114,793</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 408,115</u>	<u>\$ 778,922</u>	<u>\$ 1,187,037</u>

Net change in fund balance \$ (24,247)

Amounts reported in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlay (\$123,085) exceeded depreciation (\$51,594).

71,491

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

25,000

Change in net assets \$ 72,244

See notes to financial statements

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Saugatuck Township Fire District (Fire District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire District. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Fire District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Fire District's financial statements.

The Fire District is a jointly governed organization of the Township of Saugatuck, the City of Saugatuck, and the City of the Village of Douglas formed May 18, 1976, to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or expected to be collected within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

c) Assets and liabilities:

i) Bank deposits and investments - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

ii) Capital assets - Capital assets, which include land, buildings, equipment, and vehicles, are defined by the Fire District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Equipment	10 - 20 years
Vehicles	5 - 15 years

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. No significant budget variances were experienced in the current fiscal year.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Cash consists of the following

Deposits	\$ 27,068
Investments	395,888
Cash on hand	<u>2,500</u>
	<u>\$ 425,456</u>

a) Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Fire District's investment policy authorize the Fire District to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Fire District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2007, none of the Fire District's bank balances of \$27,068 was exposed to custodial credit risk. The Fire District evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

b) Investments:

State statutes authorize the Fire District to invest in: a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. The Fire District's investments consist of holdings in a local governmental investment pool, which is a non-risk categorized, qualifying investment, that are carried at market value.

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the Fire District for the year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 22,726	\$ -	\$ -	\$ 22,726
Capital assets being depreciated:				
Buildings	374,643	-	-	374,643
Equipment	210,151	5,921	-	216,072
Vehicles	641,016	117,164	-	758,180
Subtotal	<u>1,225,810</u>	<u>123,085</u>	<u>-</u>	<u>1,348,895</u>
Less accumulated depreciation for:				
Buildings	(153,298)	(8,498)	-	(161,796)
Equipment	(95,916)	(17,155)	-	(113,071)
Vehicles	(291,891)	(25,941)	-	(317,832)
Subtotal	<u>(541,105)</u>	<u>(51,594)</u>	<u>-</u>	<u>(592,699)</u>
Total capital assets being depreciated, net	<u>684,705</u>	<u>71,491</u>	<u>-</u>	<u>756,196</u>
Governmental activities capital assets, net	<u>\$ 707,431</u>	<u>\$ 71,491</u>	<u>\$ -</u>	<u>\$ 778,922</u>

NOTE 5 - PAYABLES:

Payables for the Fire District as of year end are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Total</u>
Operating	<u>\$ 4,607</u>	<u>\$ 21,340</u>	<u>\$ 25,947</u>

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - RISK MANAGEMENT:

The Fire District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

NOTE 7 - PENSION PLANS:

a) Defined Contribution Plan

The Fire District provides pension benefits for substantially all of its volunteer employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Fire District Board of Trustees. The Fire District is not a trustee of the plan, nor is the District responsible for investment management of plan assets. The Fire District made the required contribution of \$7,082 for the year ending June 30, 2007.

b) Defined Benefit Plan

The full-time employees of the Saugatuck Township Fire District participate in the Michigan Municipal Employees' Retirement System ("System"), a multi-employer public retirement system.

Employees who retire at or after age sixty with ten years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.25% of final average compensation, with a maximum benefit of 80% of final average compensation. Final average compensation is the employee's average salary over the last five years of credited service. Benefits fully vest upon reaching ten years of service.

Vested employees may retire at or after age fifty with specified years of credited service and receive reduced retirement benefits. The System also provides death and total disability benefits, and certain post-retirement adjustments to the amount of retirement benefits.

The Fire District is required by state statute to contribute actuarially-determined amounts necessary to pay benefits when due. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PENSION PLAN (Continued):

Annual pension cost:

For the year ended June 30, 2007, the Fire District's annual pension cost was \$37,226, which included payments of \$25,212 toward past service costs. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) an added percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/2005	43,212	100%	-
6/30/2006	41,740	100%	-
6/30/2007	37,226	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

Saugatuck Township Fire District
BUDGETARY COMPARISON SCHEDULE -Operating Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes:				
Township of Saugatuck	\$ 248,903	\$ 258,659	\$ 248,548	\$ (10,111)
City of the Village of Douglas	146,649	151,859	147,196	(4,663)
City of Saugatuck	132,933	137,498	133,063	(4,435)
Interest	5,000	5,811	14,858	9,047
Charges for services	-	231	238	7
State grants	165,000	165,000	-	(165,000)
Other	10,000	10,294	13,255	2,961
Total revenues	<u>708,485</u>	<u>729,352</u>	<u>557,158</u>	<u>(172,194)</u>
EXPENDITURES				
Public safety:				
Salaries and wages:				
Chief	53,000	54,793	52,981	1,812
Board and officers	89,800	92,793	88,822	3,971
Firemen and responder	67,000	69,161	52,347	16,814
Other	18,720	19,608	18,690	918
Payroll taxes	17,000	17,638	16,556	1,082
Telephone	7,000	8,232	7,263	969
Repairs and maintenance:				
Equipment	10,000	11,276	9,492	1,784
Radio	5,000	5,128	3,109	2,019
Building	3,000	3,063	1,846	1,217
Boat	4,000	4,129	3,688	441
Gas, oil, and supplies	18,500	15,169	12,577	2,592
Insurance	58,000	60,061	50,922	9,139
Health insurance	13,400	13,834	12,748	1,086
Retirement	54,500	55,655	48,058	7,597
Utilities	14,000	14,493	10,868	3,625
Rent	1,200	1,239	1,200	39
Professional services	2,400	2,477	2,280	197
Inspections	3,300	3,406	2,913	493
Bookkeeping	3,605	3,725	3,579	146
Education	8,000	9,191	8,050	1,141
Medical supplies	5,000	6,220	4,598	1,622
Promotions	3,500	3,631	3,502	129
Miscellaneous	12,560	13,492	9,332	4,160
Total public safety	<u>472,485</u>	<u>488,414</u>	<u>425,421</u>	<u>62,993</u>

Saugatuck Township Fire District**BUDGETARY COMPARISON SCHEDULE -Operating Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Capital outlay	<u>\$ 209,000</u>	<u>\$ 214,971</u>	<u>\$ 130,306</u>	<u>\$ 84,665</u>
Debt service:				
Principal	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Interest	<u>2,000</u>	<u>967</u>	<u>678</u>	<u>289</u>
Total expenditures	<u>708,485</u>	<u>729,352</u>	<u>581,405</u>	<u>147,947</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(24,247)</u>	<u>(24,247)</u>
FUND BALANCES - BEGINNING	<u>432,362</u>	<u>432,362</u>	<u>432,362</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 432,362</u>	<u>\$ 432,362</u>	<u>\$ 408,115</u>	<u>\$ (24,247)</u>

Saugatuck Township Fire District
SCHEDULE OF FUNDING PROGRESS
Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date <u>December 31,</u></i>	<i>Actuarial value of assets <u>(a)</u></i>	<i>Actuarial accrued liability (AAL) entry age <u>(b)</u></i>	<i>Unfunded AAL (UAAL) <u>(b-a)</u></i>	<i>Funded ratio <u>(a/b)</u></i>	<i>Covered payroll <u>(c)</u></i>	<i>UAAL as a percentage of covered payroll <u>((b-a)/c)</u></i>
2001	\$ 83,735	\$ 221,064	\$ 137,329	38%	\$103,262	133%
2002	136,059	245,978	109,919	55%	128,969	85%
2003	210,257	271,239	60,982	78%	132,030	46%
2004	276,014	314,922	38,908	88%	42,387	92%
2005	309,748	329,000	19,252	94%	80,276	24%
2006	347,556	354,789	7,233	98%	87,414	8%

**Board of Trustees
Saugatuck Township Fire District**

In planning and performing our audit of the financial statements of the Saugatuck Township Fire District, Michigan, as of and for the year ended June 30, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Fire District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented, but it did not include procedures to test the operating effectiveness of controls, and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Fire District's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fire District's financial statements that is more than inconsequential will not be prevented or detected by the Fire District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fire District's internal control. We believe that the following deficiency constitutes a material weakness.



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- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record changes in capital assets and related debt and to develop appropriate footnote disclosures were not in place. As in prior years, the Fire District has relied upon our firm as auditor to identify and develop material adjustments necessary to convert modified accrual basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Fire District's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This report is intended solely for the information and use of the Board of Trustees, management, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

November 13, 2007